

**SOUTH CAROLINA STATE BOARD FOR  
TECHNICAL AND COMPREHENSIVE EDUCATION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

March 26, 2018

Members of the Board  
South Carolina State Board for Technical  
and Comprehensive Education  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Board for Technical and Comprehensive Education (the Board), on the systems, processes and behaviors related to financial activity of the Board for the fiscal year ended June 30, 2017. The Board's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Board. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Board has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than five business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

Members of the Board  
South Carolina State Board for Technical  
and Comprehensive Education  
March 26, 2018

This report is intended solely for the information and use of the governing body and management the South Carolina State Board for Technical and Comprehensive Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor**

**Agreed - Upon Procedures - South Carolina State Board for Technical and Comprehensive Education (H59)**

**Cash Receipts/Revenues**

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$5,100 – General Funds, \$312,400 – Earmarked Funds, \$6,800 – Restricted Funds, \$14,600 – Federal Funds and 10%.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
  - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
  - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
  - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select six cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

**Cash Disbursements/Non-Payroll Expenditures**

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$819,900 – General Funds, \$368,800 – Earmarked Funds, \$307,400 – Restricted Funds, \$23,000 – Federal Funds and 10%.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Board procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Board procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Board, properly coded to the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
  - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures selected we will inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

7. Inspect the Board's distribution of funding to technical colleges to determine if the distributions were performed in accordance with Board policies and procedures and State regulations.

We found no exceptions as a result of the procedures.

## Payroll

8. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$819,900 – General Funds, \$368,800 – Earmarked Funds, \$23,000 – Federal Funds and 10%.
9. Randomly select twenty-five employee payments and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Board.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Board.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

10. Randomly select eight bonus pay disbursements to determine:
  - Employee does not make more than \$100,000 annually.
  - Bonuses received during the year did not exceed \$3,000.
  - Transaction was appropriately documented and approved.
11. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Board's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
12. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Board's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
13. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations over 10%.
14. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations over 10%.

We found no exceptions as a result of the procedures.

## **Journal Entries and Transfers**

15. Randomly select twenty journal entries and five transfers for the fiscal year to:
- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
  - Confirm transaction is properly approved.
  - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

## **Appropriation Act**

16. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
17. Confirm compliance with Board-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

## **Reporting Packages**

18. Obtain copies of all fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect all reporting packages and related items and:
- Determine if preparation was in accordance with Comptroller General Office requirements.
  - Determine if amounts reported in the reporting package agree with the supporting workpapers and accounting records.
  - Haphazardly select five capital assets and three low value assets from current year acquisitions and determine if the assets were properly coded and classified in the accounting system.
  - Haphazardly select three capital asset retirements and determine if amounts were properly coded and classified in the accounting system.

## **Findings**

**Accounts Payable and Grants Receivable** – An accounts payable balance discrepancy was noted in the engagement of the prior fiscal year. The fiscal year 2017 account payable balance, reported through a combination of the Accounts Payable and Subsequent Events reporting package process, was overstated by approximately \$160,000, primarily due to the inclusion of a transaction canceled in the accounting system. In addition, federal payables totaling approximately \$53,000 were not applied to the grants receivable reporting package, inadvertently understating the reported grants receivable balance by that amount.

**Compensated Absences** – The Board's liability for compensated absences, derived from the accounting system within two weeks of the State's fiscal year end, was overstated by approximately \$1,750 due to leave processed approximately three weeks after the State's fiscal year end and not reported with subsequent events.

## Reporting Packages (Continued)

### Management's Responses

Accounts Payable – The SCEIS Business Warehouse (BW) report (e.g. **Yearend Rptg – Prior Year Payables with Vendor report**) provided by the Comptroller General's (CG) office, and used to prepare the package, included a vendor payment that was later reversed and the applicable document line on the report did not have sufficient information to indicate this status. Therefore, the balance was included on the reporting package. In the future, we will compare the CG provided report to another BW report, specifically the **FI Payments by Vendor report, sorted for Prior Year Payables**. While this second report does not include all information necessary for preparation of the reporting package, it does distinguish reversed or rejected documents and will allow us to properly exclude from the reported balance.

Grants Receivable – The federal accounts payable balance was understated because we misinterpreted some of the instructions for Grants Activity Form 3.03.1 and as a result, excluded prior year balances paid in the current fiscal year. To prevent future recurrence, we have included a notation in the grants closing package file indicating that prior year payable balances must be included.

Compensated Absences – Agency-wide notices sent on June 8<sup>th</sup> and 28<sup>th</sup> instructed agency employees to submit, by July 3<sup>rd</sup>, all requests for leave taken through June 30<sup>th</sup>. However, one employee failed to meet this deadline and therefore, the employee's balance was overstated on the compensated absences report. Regardless, the discrepancy should have been identified and reported as a subsequent event, but was somehow missed. We believe the system report used to prepare the subsequent event reporting package was generated using incorrect parameters, so in the future, we'll be more careful when running the report. In addition, we'll consider sending an email during the first week of July as a final reminder to employees regarding submission of leave requests for the prior fiscal year.

### Minutes

19. We will inspect the Board's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our procedures.

### Status of Prior Finding

20. Through inquiry and inspection, determine if the Board has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found the Board has taken adequate corrective action on the finding reported during the engagement for the prior fiscal year, except where noted in the Reporting Package findings above.